

# TAKING STOCK OF THE TRADE WAR

Union of BC Municipalities  
April 12, 2025

# 3 Takeaways:

**The trade war will hurt** jobs, growth, and income.

**BC will have challenges**, but better off than central Canada since we have less manufacturing, and almost half of our exports are already going to countries besides the US

**There is a silver lining:** stimulus spending on growth-sustaining infrastructure will boost GDP, save jobs, enable housing, and provide legacy benefits.

1. Current Landscape
2. National Impact of the Trade War
3. The BC Analysis
4. Stimulus Funding

# Current Landscape

- Uncertainty about tariffs from the US: what/when/how much/how long?
- Uncertainty around the impact of retaliatory tariffs
- Anxiety among our members on impact to communities and local governments
- UBCM pressing for local government voice at the table
- Supporting the Team Canada approach

# UBCM's Focus

## Resource for members

- Legal advisory on procurement practices
- Educational resources
- Webinars

## Advocacy

- Making the case for stimulus funding
- Economic study on impact of tariffs & stimulus funding

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# NATIONAL IMPACT

*Economic forecast for Canada based on the study  
commissioned by UBCM*

# National Outlook

- Economic impacts are concentrated in the manufacturing sector
- The construction sector is also heavily impacted due to decline in investment activity
- Canada set to lose \$48 billion in GDP growth (1.5%) and as many as 250,000 jobs in 2026 based on model projections.



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# National Outlook at a Glance - Projections

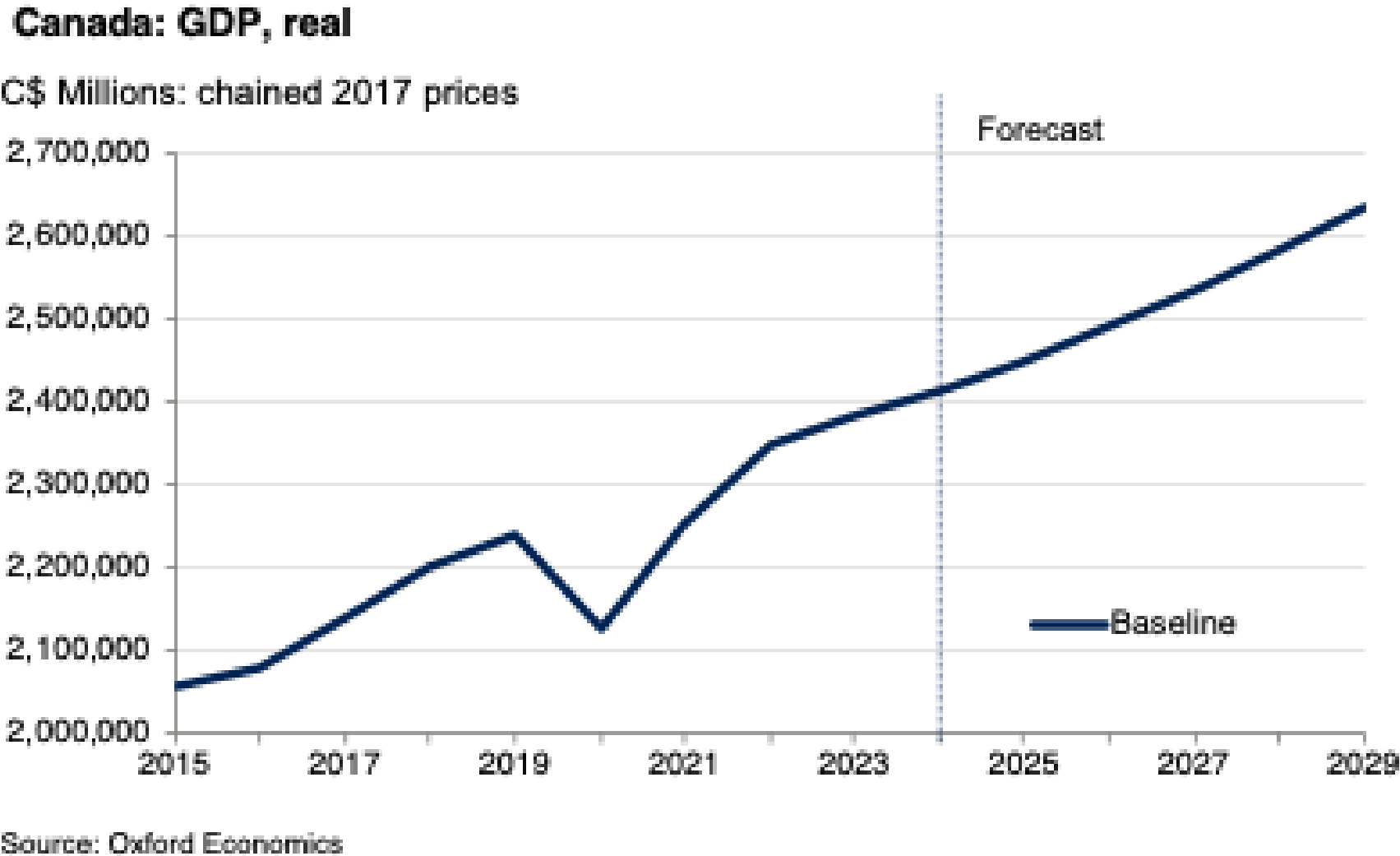
- GDP: 1.5% decline by 2026 = \$48 billion
- Exports: 3.2% decline = \$29.6 billion
- Jobs: unemployment rate up 1.1% = 250,000 jobs at peak
- Private non-residential investment: down 5.4% = \$19.6 billion
- Residential investment: down 3.7% = \$8.0 billion
- Real income: decline of 1.2% = \$21 billion
- Household consumption: 2% decrease = \$34.7 billion or approximately \$2,000 less per household

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Canada's  
GDP outlook  
**before** the  
trade war



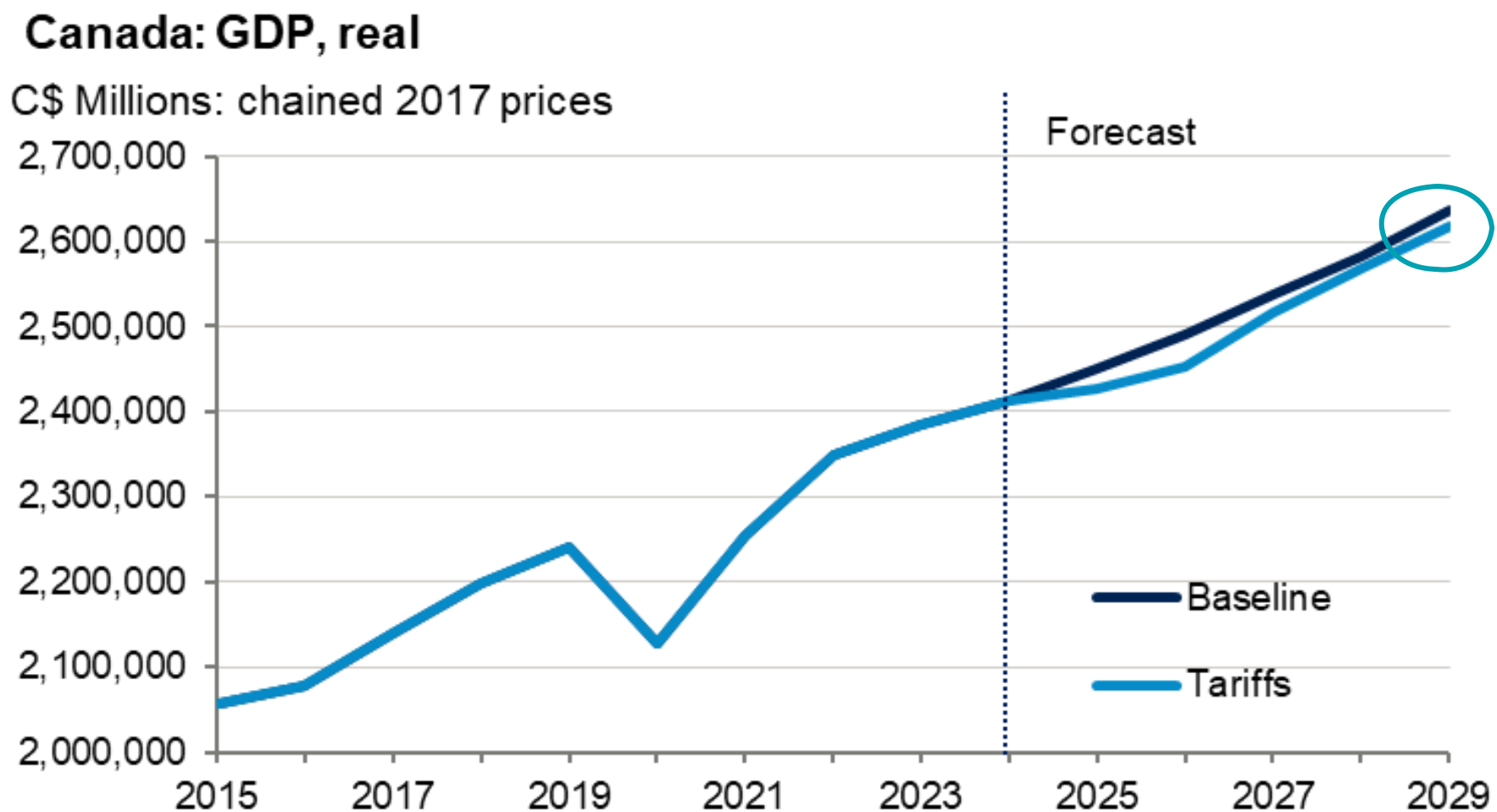
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# Canada's GDP outlook with trade war

CUSMA renegotiation in 2026 sets the stage for recovery, but it will take years to fully recover the growth being lost by the trade war



Source: Oxford Economics

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# How do tariffs impact the economy?

- Substitution for local goods by US shoppers: ↓ demand for Canadian imports
- Inflation: ↓ real consumption
- Higher input costs squeeze profit margins: ↓ business investment
- Reduced Canadian exports: job losses and ↓ investment
- Shock and uncertainty: ↓ consumption, ↓ investment

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# Some offset, but not significantly

- CAD \$ depreciation: ↑ US buying power for Canadian goods and services
- Canadians substituting with local goods: ↑ local consumption
- 'Buy Canada' movement: ↑ sales of local goods and services

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# The Power of Sentiment

- Broad decline in consumer and investor sentiment causes ↓ consumption and ↓ investment
- Retaliatory tariffs will spike consumer prices, which ↓ real income, leading to further contraction of business investment and jobs
- The predicted 1% ↑ inflation combined with declining sentiment results a predicted 2% ↓ household spending

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# Impacts of tariffs on trade

- Canadian Manufacturing exports: ↓ 5.9%
- Canadian exports from all sectors: ↓ 3.2%
- US Import demand worldwide: ↓ 5.5%

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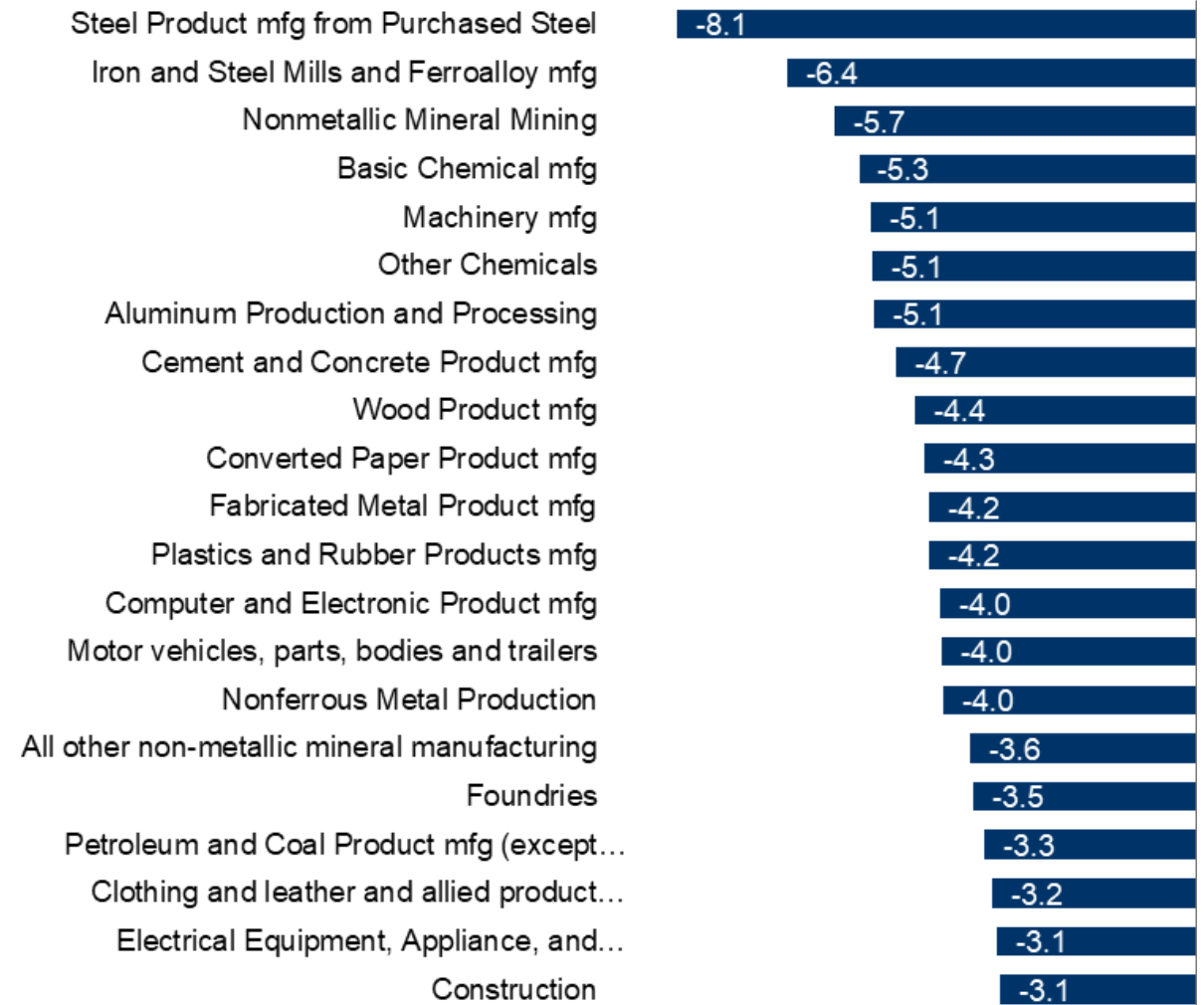
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# Sector Impacts

- Metals production
- Minerals & chemicals
- Construction

## GDP by industry, 2026 (top 20)

% change from baseline



Source: Oxford Economics

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# THE BC ANALYSIS

*Economic forecast for BC based on the study  
commissioned by UBCM*

BC's economy is going to face challenges ...  
but will be less impacted than Ontario and Quebec  
because of their strong commercial ties with the US  
and their high volume of industries being targeted  
by tariffs.



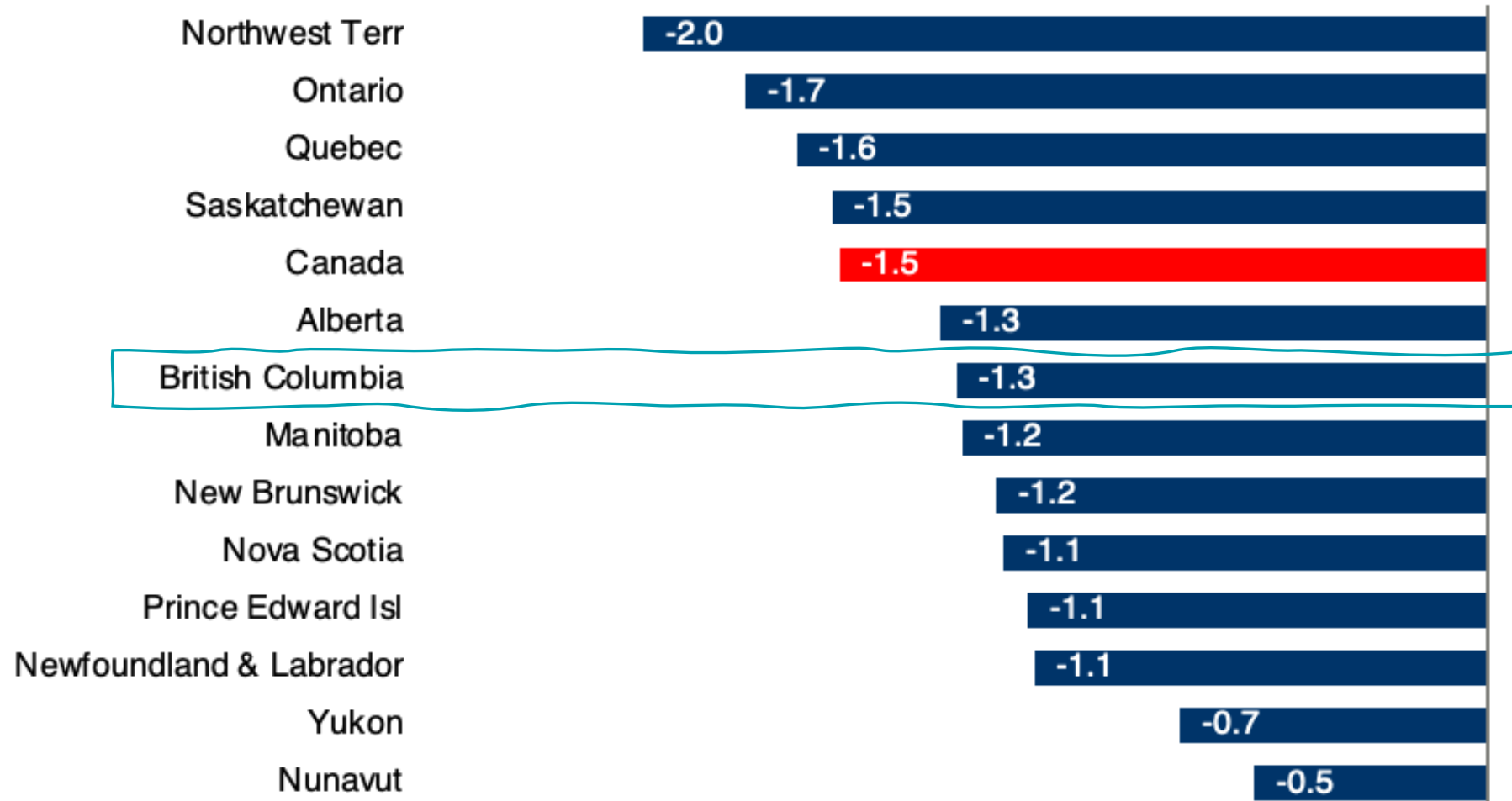
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## GDP by region, 2026

% change from baseline



Source: Oxford Economics

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The modelling analysis predicts that BC stands to lose 31,000 jobs due to the trade war along with a reduction in GDP growth of \$5.6 billion (1.3%) by 2026.



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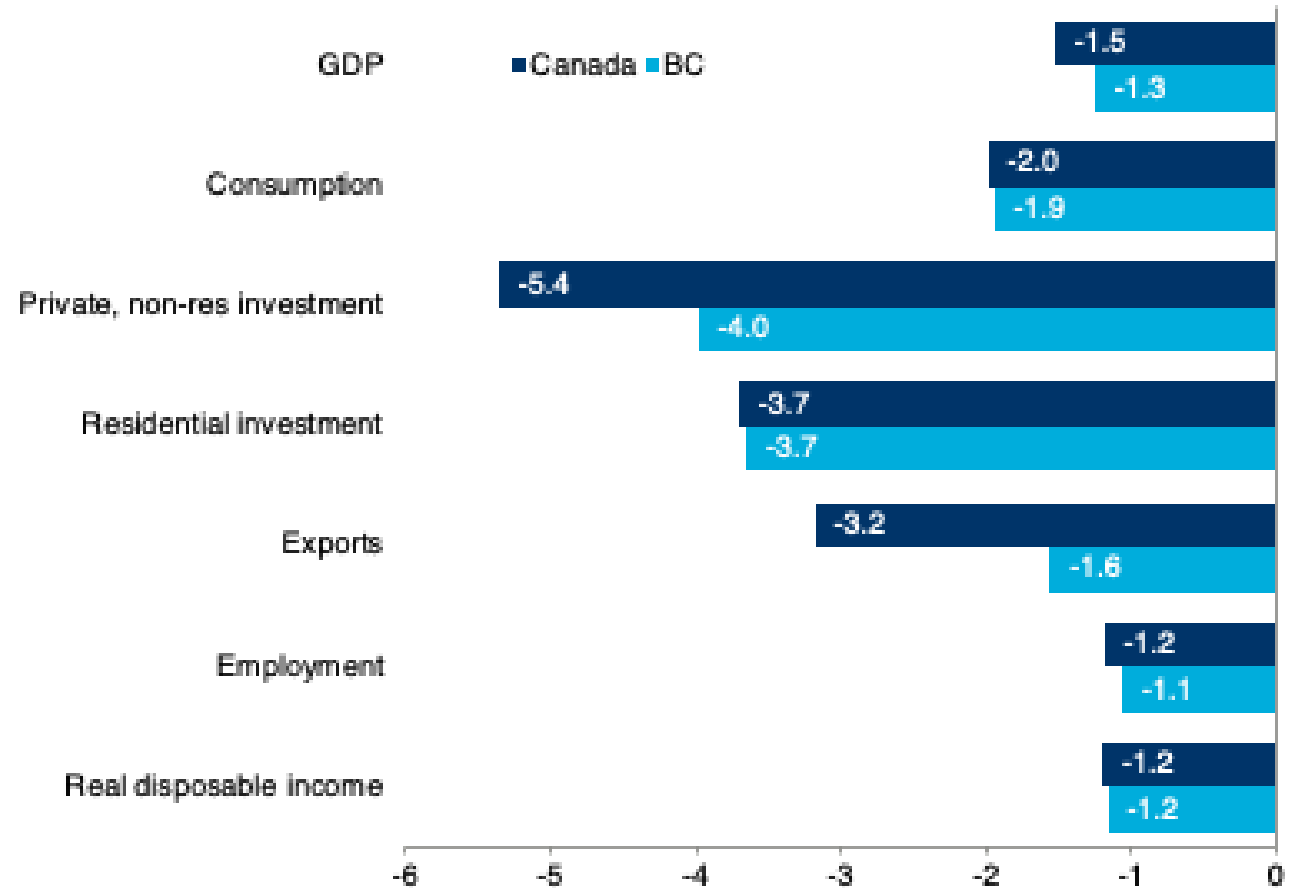
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# Macroeconomic impacts on BC from the trade war

## BC macroeconomic impacts, 2026

% change from baseline



Source: Oxford Economics

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# BC has less exposure to:

## US Trade

- Just 55% of BC merchandise exports go to US, compared to 75% across Canada

## Manufacturing

- Just 5% of BC's GDP is from manufacturing, compared to 9% in Canada

## Automotive Sector

- Ontario and Quebec's large automotive industry makes them more vulnerable to the trade war

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# BC sectors predicted to face largest negative impact, by GDP

## 1. Construction

- Drop of \$1.1 billion in 2026 , approx. 6,400 jobs lost

## 2. Real estate and rental and leasing

- Drop of \$0.9 billion in 2026, approx. 700 jobs lost

## 3. Professional, technical and scientific services

- Drop of \$0.5 billion in 2026, approx. 3,000 jobs lost

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# STIMULUS FUNDING

*Impact of stimulus investment on Canada and BC based  
on the study commissioned by UBCM*



Stimulus funding could meaningfully blunt the sharp effects of the tariffs for Canada and BC, earning more in recovery than it will cost to invest.



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# UBCM advocacy for stimulus funding

1. Local governments are an efficient and effective way to deliver stimulus quickly and equitably
2. Local governments want a share of money from retaliatory federal tariffs
3. Call for BC government to keep communities strong and address infrastructure – shared goals with broad benefits for the provincial government
4. Fiscal stimulus will have immediate and legacy benefits



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# Stimulus investment ask for BC:

1. \$3.25 billion from the BC Government for growth-sustaining local government infrastructure
2. \$1.7 billion from the Canadian government for infrastructure (doubling of CCBF)
3. \$1.3 billion from the Canadian government to BC for social housing to enable growth-related infrastructure



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# National stimulus modelled for Canada:

1. \$9.25 billion from Ontario and BC for growth-sustaining local government infrastructure
2. \$12.6 billion from the Canadian government for infrastructure (doubling of CCBF)
3. \$9.75 billion from the Canadian government for social housing to enable growth-related infrastructure



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# Modelled impact of stimulus investment

## BC:

- Save 4,600 job losses
- Recover \$6 Billion in GDP in 5 years

## Nationally:

- Save 25,000 job losses
- Recover \$31 Billion in GDP in 5 years

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# BC's economic indicators improve with stimulus

% change from baseline	Tariffs only					Tariffs + stimulus				
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029
GDP	-0.8	-1.3	-0.6	-0.5	-0.5	-0.5	-1.0	-0.3	-0.2	-0.2
Consumption	-1.3	-1.9	-1.2	-0.9	-0.9	-1.2	-1.8	-1.0	-0.7	-0.7
Private non-res fixed investment	-2.8	-4.0	-3.0	-2.4	-1.1	-2.6	-3.6	-2.6	-2.0	-0.8
Residential fixed investment	-1.0	-3.7	-1.3	-1.2	-1.1	-0.3	-3.0	-0.7	-0.6	-0.5
Exports	-1.2	-1.6	-1.6	-1.8	-0.7	-1.2	-1.6	-1.7	-1.8	-0.7
Imports	-2.6	-3.7	-2.5	-1.8	-1.5	-2.4	-3.4	-2.1	-1.4	-1.1
CPI	1.0	1.0	0.5	0.2	0.0	1.0	1.1	0.6	0.3	0.1
Payroll employment	-0.4	-1.1	-0.5	-0.4	-0.4	-0.3	-0.9	-0.3	-0.2	-0.2
Unemployment rate	0.4	1.0	0.4	0.4	0.4	0.2	0.9	0.3	0.2	0.2

Source: Oxford Economics

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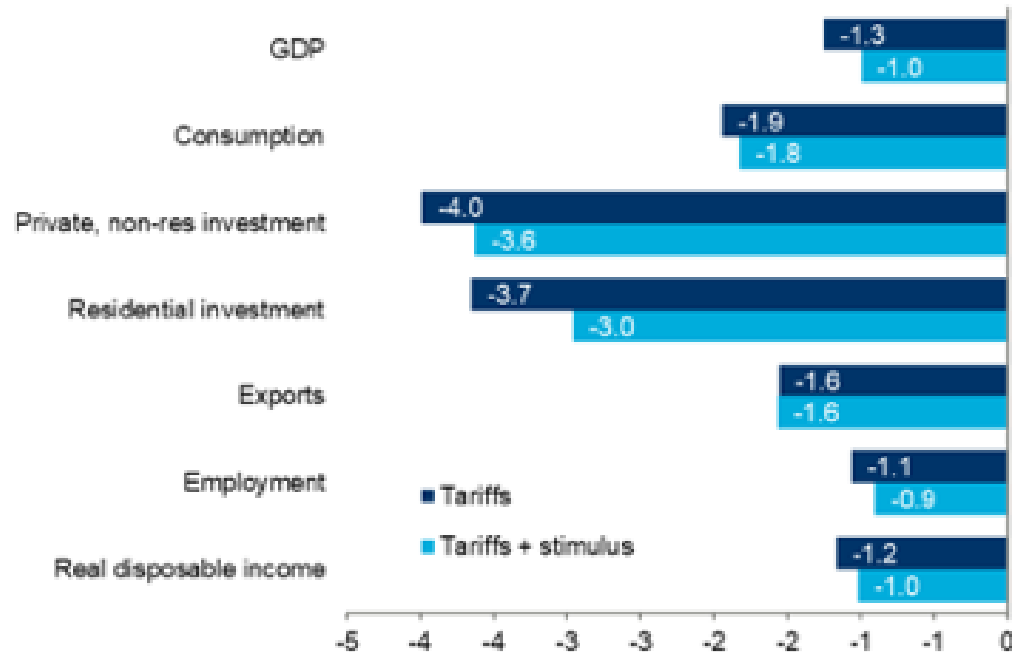
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# GDP change by industry in BC

## BC macroeconomic impacts, 2026

% change from baseline



Source: Oxford Economics

## GDP by industry, BC, 2026 (top 20)

% change from no stimulus case



Source: Oxford Economics

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# One-year benefit from stimulus est. \$1.1 billion

## 1. Construction

- Improves by \$413 million, approx. 2,200 jobs saved

## 2. Real estate and rental and leasing

- Improves by \$124 million, approx. 70 jobs saved

## 3. Professional, technical and scientific services

- Improves by \$141 million, approx. 600 jobs saved

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# Projected year over year growth in GDP in BC

Year	Year over year growth in GDP		
	Baseline	Tariffs	Tariffs + Stimulus
2025	1.8%	1.0%	1.3%
2026	1.9%	1.4%	1.5%
2027	1.9%	2.6%	2.6%
2028	1.9%	2.0%	2.0%
2029	2.1%	2.1%	2.2%

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# 3 Takeaways Revisited:

**We have seen how the trade war could hurt jobs, growth, and income.**

**BC will have challenges,** but we will be better off than other areas and nationally.

**There is an opportunity to soften the blow:** stimulus spending on growth-sustaining infrastructure will boost GDP, save jobs, enable housing, and provide legacy benefits.

Questions?

What is happening in your communities?

